

Wilf Csaplár Jr. Economics 162 Homework #10 **Due Thursday 4/16 by 11:00 AM**
The last one!

Do NOT write your name anywhere. (Canvas will tell me who turned in the assignment.) Take pictures of your answers and use your own software or <https://pdfcandy.com/> to create a single PDF. (pdfcandy.com will convert JPG to PDF, resize PDF, merge PDF and just about anything else you can think of with a PDF for free.) Failure to follow these directions will cost you 10 points.

According to TreasuryDirect.gov, the gross public debt was \$23,565,005,988,243.25 on 2020/3/30. <http://www.treasurydirect.gov/NP/debt/current> According to the Census Bureau's population clock at 10:30 on 2020/4/1, <http://www.census.gov/popclock/>, the population was about 329,461,384 people. That means the debt is \$71,525.85 per person. According to NASA, the solar system is 4,500,000,000 years old, https://solarsystem.nasa.gov/solar-system/our-solar-system/in-depth/#formation_otp. Therefore, if you earned 1 penny for 229 out of every 230 minutes (without earning interest) from the start of the solar system, you would approximately have enough to pay the debt. According to the Bureau of Economic Analysis, the GDP is \$21.73 trillion. This means the debt-to-GDP ratio is 1.084. Therefore, the government owes 108.4% of the entire GDP. The GDP data was gotten from <https://www.bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm>.

1) (15 points) You will hear some politicians say, "paying our debt will hurt our grandchildren." Explain their argument. Is that a strong argument? Explain your logic making two arguments.

2A) (15 points) Explain the difference between "net public debt", "gross public debt", and the debt which Paul O'Neill talked about here at Bethany College over a decade ago.

2B) (15 points) Which debt is going to cause the biggest problems for our budget in the future? Explain your logic including describing the problem caused.

2C) (15 points) Which debt is going to cause the biggest problem with crowding out? Explain your logic including defining crowding out.

3) (20 points) One way to reduce the government deficit is to increase taxes. For each group of people, rich, middle income, and poor, explain why that will either be ineffective or difficult to do or both.

4) (20 points) One way to reduce the government deficit is to cut spending. What are the biggest general categories of outflow? For each of them, explain why it is hard to cut.